

September 9, 1998

Members of the General Assembly
and
Members of the Legislative Audit Council
State of South Carolina
Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the South Carolina Legislative Audit Council for the fiscal year ended June 30, 1998, was issued by Finch, Hamilton & Co., LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Edgar A. Vaughn, Jr., CPA
State Auditor

EAV/tdc

INDEPENDENT ACCOUNTANTS' REPORT
ON
AGREED-UPON PROCEDURES

SOUTH CAROLINA LEGISLATIVE AUDIT COUNCIL
Columbia, South Carolina

Year Ended June 30, 1998

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INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES

Mr. Edgar A. Vaughn, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Office of the State Auditor and the South Carolina Legislative Audit Council, solely to assist you in evaluating the performance of the South Carolina Legislative Audit Council in the areas addressed for the fiscal year ended June 30, 1998. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the reports. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures and associated findings are as follows:

1. We tested 100% of recorded receipts to determine if these receipts were properly described and classified in the accounting records; collection and retention or remittance were supported by law; and accounting procedures and internal accounting controls over the tested receipt transactions were adequate to provide proper control over these transactions. We found no exceptions as a result of the procedures.
2. We tested selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records; were bona fide disbursements of the South Carolina Legislative Audit Council; and were paid in conformity with State laws and regulations and if accounting procedures and internal accounting controls over the tested disbursement transactions were adequate to provide proper control over these transactions. The items selected for testing were chosen randomly. The total of all selected items was 7 percent of the aggregate amount of all recorded non-payroll disbursements. We found no exceptions as a result of the procedures.
3. We tested selected recorded payroll disbursements to determine if the tested payroll and fringe benefits were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; and payroll transactions including employee payroll deductions were properly authorized by the employees and were in accordance with existing legal requirements and if accounting procedures and internal accounting controls over the tested payroll transactions were adequate to provide proper control over these transactions. The items selected

for testing were chosen randomly. The total of all selected items was 30 percent of the aggregate amount of all recorded payroll disbursements. We found no exceptions as a result of the procedures.

4. We obtained a copy of the accompanying June 30, 1998 schedule of expenditures - budget and actual and notes thereto prepared by the South Carolina Legislative Audit Council and agreed the amounts by line-item appropriation within budgetary fund category thereon to the accounting records of the South Carolina Legislative Audit Council. We checked the schedule and notes for mathematical accuracy. We found no exceptions as a result of the procedures.
5. We tested the South Carolina Legislative Audit Council's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 1998 by performing the applicable tests and procedures listed on the State Auditor's Office's Appropriation Act 1998 work program. We found no exceptions as a result of the procedures.
6. We obtained closing packages as of and for the year ended June 30, 1998, except for the General Fixed Asset Closing Package, prepared by the South Carolina Legislative Audit Council as submitted to the State Comptroller General and reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.
7. We were advised that the South Carolina Legislative Audit Council did not receive any Federal Financial Assistance. As a result, we performed no procedures in this area.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items and the effectiveness of the internal control structure over financial reporting described in paragraph one and procedures one through seven of this report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

August 19, 1998

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
BUDGETARY GENERAL FUND

SOUTH CAROLINA LEGISLATIVE AUDIT COUNCIL

For the Year Ended June 30, 1998

	Legal Basis Budget	Actual On Budgetary Basis	Variance Favorable (Unfavorable)
Expenditures			
Personal services	\$ 769,824	\$ 710,663	\$ 59,161
Employer contributions	181,104	159,826	21,278
Other operating expenses	<u>223,108</u>	<u>182,516</u>	<u>40,592</u>
Total expenditures	<u>\$ 1,174,036</u>	<u>\$ 1,053,005</u>	<u>\$ 121,031</u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE

SOUTH CAROLINA LEGISLATIVE AUDIT COUNCIL

June 30, 1998

NOTE A - BUDGET POLICY

The South Carolina Legislative Audit Council (the Council), a budgetary unit of the State of South Carolina, is granted an annual appropriation for operating purposes by the General Assembly. The Appropriation Act authorizes expenditures for the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenues budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund, or other budgeted funds. Budgetary control is maintained as the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the state's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in 1998 Appropriation Act Proviso 72.9. as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year 1998 to 1998 fiscal year appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over funds of the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriation Act states that the General Assembly intends to appropriate all monies to operate state government for the current fiscal year. The state's annual budget is prepared primarily on the modified accrual basis of accounting with several exceptions, principally the cash basis for payroll expenditures.

The schedule of expenditures - budget and actual presents actual on the budgetary basis of accounting compared to the legally adopted and modified budget on a line-item expenditure basis. The level of legal control of each agency is reported in a publication of the State Comptroller General's Office titled *A Detailed Report of Appropriations and Expenditures* for each fiscal year.

NOTES TO SCHEDULE

SOUTH CAROLINA LEGISLATIVE AUDIT COUNCIL

June 30, 1998

NOTE B - STATE APPROPRIATIONS

The following is a reconciliation of the 1998 Appropriation Act as originally enacted by the General Assembly to amounts available for the Council's budgetary general fund expenditures as reported on the accompanying schedule of expenditures - budget and actual for the year ended June 30, 1998.

Original Appropriation	\$ 1,058,381
1998 Appropriation Act Proviso 17C.13.- Budget and Control Board appropriation increase for salaries and related fringe benefits for state employees	<u>16,330</u>
Revised appropriation for FY 1998	1,074,711
1998 Appropriation Act Proviso 72.44.- Brought forward from prior fiscal year into current fiscal year	55,575
1998 Appropriation Act Proviso 72.9. - Transfers of appropriations	<u>43,750</u>
Appropriation available for FY 1998 - legal basis expenditures	<u>\$ 1,174,036</u>

Pursuant to Proviso 72.48. of the 1998-1999 Appropriations Act, the Legislative Audit Council carried forward \$105,838 of unspent State General Fund Appropriations from fiscal year 1998 to fiscal year 1999.